



Massachusetts Division of  
Health Care Finance and Policy

Louis I. Freedman  
Commissioner

# ANALYSIS IN BRIEF

## Massachusetts Health Care Expenditures

### Health Care Spending

Based on newly released data from HCFA,<sup>1</sup> Massachusetts spent about \$30 billion on personal health care services in 1998. This includes spending on therapeutic goods or services rendered to treat or prevent a specific disease or condition in a person, but omits spending on medical research, construction, and insurance administration.<sup>2</sup>

**Health Care Expenditures  
in Massachusetts and the US (1998)**

	Massachusetts	US
Total (billions)	\$30	\$1,016
Share of GSP	12.9%	11.9%*
Annual Change (1997-1998)	5.5%	5.2%
Per Capita	\$4,887	\$3,760
Share of Personal Income	14.9%	14.2%

\*Share of total 50 states' GSP.

The share of Massachusetts' Gross State Product (GSP) accounted for by the health care services sector reached 12.9% in 1998, 1% greater than the national share. Health care plays a critical role in the state's economy; about one of every eight dollars in the GSP is created by the health services sector.

### Per Capita Spending

On average, Massachusetts spent \$4,887 per person on health care services in 1998, \$1,127 more or 30% higher than the national average.

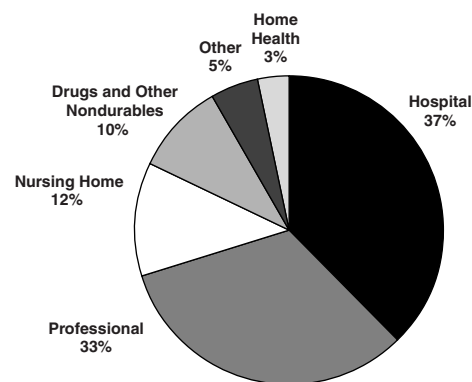
Although personal income for Massachusetts residents is greater than the national average, the relative difference in income is not as great as it is for health care spending. The average per capita income of Massachusetts residents was \$32,902 in 1998, which was \$6,420 more or 24% higher than the national average.<sup>3</sup> Thus, the share of personal income spent on health care was somewhat larger in Massachusetts (14.9%) than the national average of 14.2% in 1998.

### Spending by Type of Service

Massachusetts health care expenditures were distributed relatively equally among three major types of services in 1998. Over a third was spent on hospital care (37%), a third on professional care including physician, dental, and other professional services (33%), and less than a third on other services (30%) including nursing home, home health care, and pharmaceuticals (see Figure 1 below).

This spending pattern was fairly close to the national average. However, Massachusetts spent a greater share on nursing home care than the nation overall: 12% versus 9%, and a much higher per capita dollar amount: \$580 versus \$325, or 79% more (see Figure 2 on page 2). On the other hand, we spent a smaller share on drugs and other medical nondurables than the nation: 10% versus 12%, or \$469 versus \$451 per person in 1998.

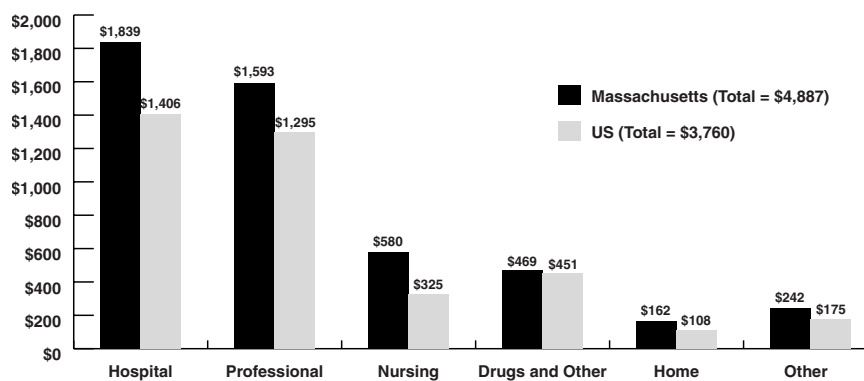
**Figure 1: Distribution of Massachusetts  
Health Care Expenditures (1998)**



### Spending by Payment Source

Of the \$30 billion in Massachusetts health care expenditures for 1998, 21% came from Medicare, 19% from Medicaid, and the remaining

**Figure 2: Per Capita Health Care Expenditures in Massachusetts and the US (1998)**



#### DHCFP Mission

The Division of Health Care Finance and Policy (DHCFP) is a state agency under the Executive Office of Health and Human Services. Our mission is to contribute to the development of policies that improve the delivery and financing of health care in Massachusetts by:

- collecting and analyzing data from throughout the health care delivery system;
- disseminating accurate information and analysis on a timely basis;
- facilitating the use of information among health care purchasers, providers, consumers and policy makers; and
- ensuring access to health care for low-income uninsured and underinsured Massachusetts residents through thoughtful administration of the Uncompensated Care Pool.

#### Analysis in Brief

*Analysis in Brief* is a new publication from DHCFP that reflects our mission to monitor changes in the health care marketplace through useful and timely analyses of health care data. Several times a year, this publication will report on our analyses of health care costs, quality and access.



Argeo Paul Cellucci  
Governor

Jane Swift  
Lieutenant Governor

William D. O'Leary  
Secretary  
Executive Office of  
Health and Human Services

Division of Health Care Finance and Policy  
2 Boylston Street, Boston, MA 02116  
Tel: 617.988.3100  
Fax: 617.727.7662  
www.state.ma.us/dhcfp

Louis I. Freedman  
Commissioner

Staff for this publication:  
John Cai  
Amy Lischko  
Heather Shannon

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60% came from other payment sources including private health insurance, consumer out-of-pocket payments and other government programs.

While the Medicare payment share in Massachusetts was similar to the national average in 1998, we had a higher Medicaid payment share than the nation: 19% versus 16%.

#### Trends in Health Care Spending

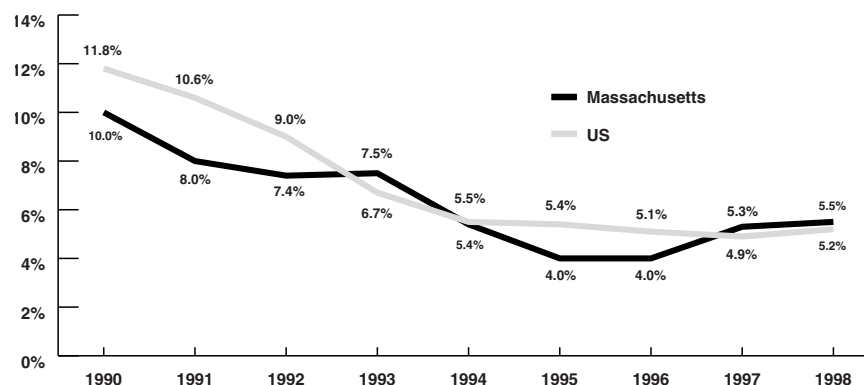
The annual rate of increase in health care expenditures declined substantially during the 1990s. Massachusetts experienced the largest increase at the beginning of the decade, 10%,

which went down to 4% in 1995 and gradually climbed to 5.5% in 1998 (see Figure 3 below).

The overall increase in health care expenditures in the 1990s was lower for Massachusetts than for the US: 58% versus 66%. If Massachusetts had the same annual growth rates as the nation during this period, we would have spent \$1.5 billion more on health care in 1998, and the per capita health care expenditures would have been \$5,138 or 5% more in 1998.

HCFA anticipates that over the coming decade growth in health care expenditures will be substantially faster than recent experience but will remain below the historical average.<sup>4</sup>

**Figure 3: Annual Percent Change in Health Care Expenditures for Massachusetts and the US (1990-1998)**



1. U.S. Health Care Financing Administration (HCFA), Office of the Actuary, National Health Statistics Group: "Massachusetts Health Expenditures, 1980-98," July 17, 2000 (also see [www.hcfa.gov/stas/stas.htm](http://www.hcfa.gov/stas/stas.htm)).
2. Levit, K., et al.: "State Health Expenditure Accounts: Building Blocks for State Health Spending Analysis," Health Care Financing Review, Fall 1995.
3. U.S. Department of Commerce, Bureau of Economic Analysis: "Summary Personal Income and Disposable Personal Income 1969-98," [www.bea.docgov/bea/regional/spi/recent.htm](http://www.bea.docgov/bea/regional/spi/recent.htm).
4. Smith, S., et al.: "National Health Projection Through 2008," Health care Financing Review, Winter 1999.